

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
Docket No. 2000-366-A

In Re: Application of Chem-Nuclear Systems,)
LLC, a Division of Duratek, Inc., for)
Adjustment in the Levels of Allowable)
Costs and for Identification of Allowable)
Costs.)
_____)

**SETTLEMENT
AGREEMENT**

This Settlement Agreement is made by and between Chem-Nuclear Systems, LLC, a Division of Duratek, Inc. ("Chem-Nuclear" or "Company"), which is in turn a wholly owned subsidiary of Energy Solutions, LLC, and the South Carolina Office of Regulatory Staff ("ORS") with respect to the Application and Amended Application of Chem-Nuclear Systems, LLC, for Fiscal Year 2007-2008 ("Amended Application") pending before the Public Service Commission of South Carolina ("Commission") in Docket No. 2000-366-A.

WHEREAS, the Company filed an Application, dated September 27, 2007, ("Application") in this docket by which Chem-Nuclear requested the Commission to identify certain "allowable costs" for the Company's fiscal years 2006-2007 and 2007-2008, in accordance with the provisions of S.C. Code Ann. § 48-46-10, et seq. (2008), and with the Commission's rules and regulations; and

WHEREAS, ORS conducted an examination of the allowable costs to be identified and recovered in Chem-Nuclear's Application; and

WHEREAS, Chem-Nuclear filed an Amended Application, dated February 28, 2008, in this docket in accordance with S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2007) and the Commission's rules and regulations; and

WHEREAS, the Company's Amended Application resolved the concerns of the ORS pursuant to its examination; and

WHEREAS, on February 28, 2008, the Prefiled Direct Testimony of James W. Latham was filed on behalf of Chem-Nuclear reflecting the position of the Company as contained in its Amended Application; and

WHEREAS, the Report of ORS Deputy Director of Audit, Malini R. Gandhi, of the review and examination of Chem-Nuclear's Application and Amended Application, dated March 4, 2008 ("Report"), is attached to this Agreement and incorporated by reference; and

WHEREAS such Report summarizes the Company's Amended Application and concurs with the request of the Company as contained in the Amended Application; and

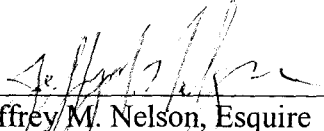
WHEREAS, Chem-Nuclear and ORS believe that it is in their best interests and those of the State of South Carolina to enter into a Settlement Agreement relating to this matter in order to avoid the additional expense which the litigation of their positions would occasion in this proceeding.

WHEREFORE, ORS and Chem-Nuclear enter into this Agreement on the following terms:

1. The Company and ORS agree to the Actual Costs of Fiscal Year 2006-2007, including fixed costs, irregular costs, variable labor and non-labor costs and vault costs as specified in Chem-Nuclear's Amended Application.
2. Chem-Nuclear and ORS agree on the calculation of projected costs for Fiscal Year 2007-2008 as specified in Chem-Nuclear's Amended Application.
3. ORS and the Company agree that the Prefiled Direct Testimony of James W. Latham accurately reflects the agreed upon positions of the Company and ORS in this matter.

4. ORS and Chem-Nuclear agree that James W. Latham will present testimony at the hearing in this matter consistent with his prefiled direct testimony, the Amended Application and the terms of this Settlement Agreement.
5. Upon execution of this Settlement Agreement, Chem-Nuclear will file an original of this Settlement Agreement with the Commission and serve a copy of it upon all parties of record in SCPSC Docket No. 2000-366-A.
6. The Company and ORS agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to make in future proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then the Company or ORS may withdraw from the Settlement Agreement without penalty.
7. This agreement shall be interpreted according to South Carolina law.
8. Chem-Nuclear and ORS acknowledge consent and agreement to this Settlement Agreement by authorizing their respective counsel to affix his or her signature to this document where indicated below. Counsel's signature constitutes a representation that his or her client has authorized the execution of this Settlement Agreement. Facsimile signatures and email signatures shall be as effective as original signatures. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

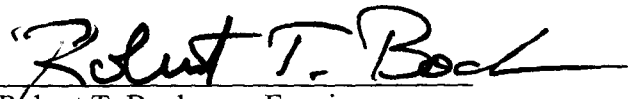
**Representing and binding the
Office of Regulatory Staff:**



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March 7, 2008

**Representing and binding Chem-Nuclear
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March 6, 2008

**SOUTH CAROLINA OFFICE OF REGULATORY STAFF
EXAMINATION OF THE APPLICATION OF
CHEM NUCLEAR SYSTEMS, LLC,
FOR ADJUSTMENT IN THE LEVELS OF ALLOWABLE COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
AND FOR IDENTIFICATION OF ALLOWABLE COSTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2008**

On September 27, 2007, Chem Nuclear Systems, LLC filed an application for Adjustment in the Levels of Allowable Costs for the fiscal year ended June 30, 2007 and for Identification of Allowable Costs for fiscal year ending June 30, 2008, pursuant to South Carolina Public Service Commission ("PSC") Order under Docket No. 2000-366-A. The South Carolina Office of Regulatory Staff ("ORS") completed an examination of the application and the underlying financial records of Chem Nuclear Systems, LLC.

As a result of its examination, ORS identified certain adjustments to Chem Nuclear Systems, LLC's application that it considered necessary for this application to conform with South Carolina Public Service Commission Rules and Regulations. These adjustments were discussed with members of Chem Nuclear Systems, LLC's management who agreed with their propriety. On February 28, 2008, Chem Nuclear Systems, LLC filed an amended application which incorporated the aforementioned adjustments.

Based on ORS's procedures, a summary of the amended application and a comparison of the resulting recommended allowable reimbursement to the amounts authorized by the South Carolina PSC in its Order No. 2007-418 dated June 7, 2007, was prepared by ORS Audit Staff. This summary is attached herewith as Exhibit A. As shown in this analysis, ORS recommends that Chem Nuclear Systems, LLC be allowed to retain, as recovery of their expenditures in operating the Barnwell Low Level Radioactive Waste storage facility, \$7,205,468 in Fixed Costs, \$2,305,098 in Variable Costs and \$590,415 in Irregular Costs for the year ended June 30, 2007.

In conjunction with the procedures described in the preceding paragraph, ORS also examined transactions recorded by Chem Nuclear Systems, LLC for the period beginning July 1, 2007 and extending through December 31, 2007. As a result of this examination, ORS prepared a summary of Fixed and Irregular costs during the first six months of Chem Nuclear Systems, LLC's fiscal year ending June 30, 2008.

ORS also calculated recommended Variable cost rates for the fiscal year ending June 30, 2008. The findings from this examination are attached herewith, as Exhibit AA.

Based upon the comparison of Fixed and Irregular costs per the application to those experienced through December 31, 2007, ORS Audit Staff does not object to those amounts requested in the application being identified as allowable costs for the year ending June 30, 2008. Consistent with prior PSC Orders in this docket, the Variable Labor, Non labor and Variable Material Costs (Vault Costs) rate recommendations in Exhibit AA are based upon actual rates experienced by the Company during the fiscal year ended June 30, 2007 with a three and one half percent (3.5%) increment.

Malini R. Gandhi
March 13, 2008

Chem Nuclear Systems, LLC
Operating Experience and Reimbursable Costs
For the Twelve Months Ended June 30, 2007

Exhibit A
Page 1 of 3

	<u>Per Amended</u>	<u>Commission</u>	<u>Actual Costs</u>
	<u>Application</u>	<u>Order</u>	<u>Over (Under)</u>
		<u>No. 2007-418</u>	<u>Commission</u>
			<u>Allowed</u>
<u>Fixed Costs</u>			
Labor & Fringe	\$ 2,751,908	\$ 3,170,000	\$ (418,092)
Non-labor Costs	889,656	1,232,000	(342,344)
Machinery & Equipment			
Rent/Lease	631,983	400,000	231,983
Depreciation	229,334	225,000	4,334
Other Insurance	650,043	787,254	(137,211)
Barnwell SG&A Allowable	1,254,790	1,245,272	9,518
Amortization	625,000	625,000	-
Legal Expenses	99,997	75,000	24,997
Other Labor	72,757	99,637	(26,880)
Total Fixed Costs	\$ <u>7,205,468</u>	\$ <u>7,859,163</u>	\$ <u>(653,695)</u>

Variable Costs

Vaults	\$ 1,551,382	\$ 1,387,707	\$ 163,675
Labor and Non-Labor Costs	<u>753,716</u>	<u>773,575</u>	<u>(19,859)</u>
Total Variable Expenses	\$ <u>2,305,098</u>	\$ <u>2,161,282</u>	\$ <u>143,816</u>

Chem Nuclear Systems, LLC
Operating Experience and Reimbursable Costs
For the Twelve Months Ended June 30, 2007

Exhibit A
Page 2 of 3

	<u>Per Amended Application</u>	<u>Commission Order No. 2007-418</u>	<u>Actual Costs Over (Under) Commission Allowed</u>
<u>Irregular Costs</u>			
Irregular Component			
Disposal			
Labor	13,149	40,000	(26,851)
Non-Labor	<u>153,305</u>	<u> </u>	<u>153,305</u>
Total	<u>166,454</u>	<u>40,000</u>	<u>126,454</u>
 Various Trenches (Design, Construct, and Backfill):			
Labor	67,686	60,000	7,686
Non-Labor	<u>113,596</u>	<u> </u>	<u>113,596</u>
Total	<u>181,282</u>	<u>60,000</u>	<u>121,282</u>
 Decontamination & Corrective Actions:			
Labor	549	14,766	(14,217)
Non-Labor	<u>1,287</u>	<u> </u>	<u>1,287</u>
Total	<u>1,836</u>	<u>14,766</u>	<u>(12,930)</u>
 Deep Well and Monitoring Well Abandonment:			
Labor	18,314	-	18,314
Non-Labor	<u>1,485</u>	<u> </u>	<u>1,485</u>
Total	<u>19,799</u>	<u>-</u>	<u>19,799</u>
 Engineering Drawings			
Labor	41,003	60,000	(18,997)
Non-Labor	<u>12,497</u>	<u> </u>	<u>12,497</u>
Total	<u>53,500</u>	<u>60,000</u>	<u>(6,500)</u>
 Miscellaneous Irregular Projects (Puncture stand relocation and Clay Cap Evaluation Trench 86):			
Labor	29,844	-	29,844
Non-Labor	<u>6,681</u>	<u> </u>	<u>6,681</u>
Total	<u>36,525</u>	<u>-</u>	<u>36,525</u>

Irregular Costs (continued)

Chem Nuclear Systems, LLC
Operating Experience and Reimbursable Costs
For the Twelve Months Ended June 30, 2007

Exhibit A
Page 3 of 3

	Per Amended Application	Commission Order No. 2007-418	Actual Costs Over (Under) Commission Allowed
License Renewal and Appeal Costs:			
Labor	41,653	20,000	21,653
Non-Labor	<u>2,348</u>		<u>2,348</u>
Total	<u>44,001</u>	<u>20,000</u>	<u>24,001</u>
Other Irregular Costs			
Labor	16,715	15,000	1,715
Non-Labor	<u>36,483</u>		<u>36,483</u>
Total	<u>53,198</u>	<u>15,000</u>	<u>38,198</u>
Repairs to Laboratory			
Labor	841		841
Non-Labor	<u>22,848</u>		<u>22,848</u>
Total	<u>23,689</u>	<u>-</u>	<u>23,689</u>
Increases Security Controls			
Labor	1,349		1,349
Non-Labor	<u>8,782</u>		<u>8,782</u>
	<u>10,131</u>	<u>-</u>	<u>10,131</u>
Total Irregular Costs	<u><u>590,415</u></u>	<u><u>209,766</u></u>	<u><u>380,649</u></u>

Chem Nucear Systems, LLC
Proposed Fixed, Irregular and Variable Costs
For the Fiscal Year Ending June 30, 2008 To Date

Exhibit AA

Page 1 of 2

	Per Amended Application	Actual Through 12/31/2007	Difference
FIXED COSTS			
Fixed Costs to which 29% operating margin is added:			
Labor and Fringe	\$ 2,900,000	\$ 1,158,943	\$ 1,741,057
Non Labor	1,000,000	679,036	320,964
Equipment Leases and Support	654,000	389,396	264,604
Depreciation	230,000	116,177	113,823
Insurance	680,000	316,375	363,625
Corporate Allocations (Management Fees/G&A)	1,305,000	1,187,344	117,656
Total Margin Costs	<u>6,769,000</u>	<u>3,847,271</u>	<u>2,921,729</u>
Fixed Costs to which 29% operating margin is not added:			
Intangible Asset Amortization	625,000	312,500	312,500
Legal Support (license appeal)	50,000	16,338	33,662
Employee Retention Compensation	500,000	27,823	472,177
Total Non-margin Costs	<u>1,175,000</u>	<u>356,661</u>	<u>818,339</u>
Total Fixed Costs	<u>\$ 7,944,000</u>	<u>\$ 4,203,932</u>	<u>\$ 3,740,068</u>
IRREGULAR COSTS			
Trench Construction	\$ 160,000	\$ 124,928	\$ 35,072
License Appeal	10,000	77	9,923
Corrective Actions	10,000	9,352	648
Site Engineering Drawings	25,000	16,129	8,871
Irregular Components	10,000	1,747	8,253
Site Assessment	80,000	61,553	18,447
Miscellaneous	20,000	6,020	13,980
Total Irregular Costs	<u>\$ 315,000</u>	<u>\$ 219,806</u>	<u>\$ 95,194</u>

Chem Nucear Systems, LLC
Proposed Fixed, Irregular and Variable Costs
For the Fiscal Year Ending June 30, 2008 To Date

Exhibit AA

Page 2 of 2

VARIABLE RATES

	<u>Costs</u>	<u>Variable Factor</u>
Class A Waste	<u>42.85</u>	Per Cubic Foot
Class B Waste	<u>43.05</u>	Per Cubic Foot
Class C Waste	<u>43.09</u>	Per Cubic Foot
Slit Trench Waste	<u>138.88</u>	Per Cubic Foot
A B C Waste Disposal	<u>1,128.34</u>	Per Shipment
Slit Trench Shipment	<u>8,412.28</u>	offload
Customer Assistance	<u>295.26</u>	Per Shipment
Vault Purchase & Inspection	<u>116.06</u>	Per Vault
Trench Records	<u>73.81</u>	Per Container